

News Release



Controller of the State of California - Kathleen Connell

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For Immediate Release

MEDI-CAL LEGISLATION TARGETS FRAUDULENT HEALTH CARE PROVIDERS

***Controller Connell And Assemblywoman Romero Make Announcement At Office Of Provider
Linked To Family Members Suspected Of Stealing Nearly \$1 Million***

LOS ANGELES, April 1, 1999 -- State Controller Kathleen Connell and Assemblywoman Gloria Romero (D-Los Angeles) announced the introduction of legislation designed to crack down on Medi-Cal fraud and abuse in California. The legislation, AB 784, would give the state regulatory authority and additional tools to fight the growing epidemic of fraud in the Medi-Cal system -- a problem which costs California taxpayers over \$1 billion annually.

"For years, my office has continually found unnerving levels of systematic abuse and fraud within the Medi-Cal system," said Connell, sponsor of the bill. "California's taxpayers are having their wallets picked clean to the tune of \$1 billion annually by fraudulent health care providers. Passage of AB 784 would give California fraud-fighting provisions to help torpedo phony health care rings and restore fiscal integrity to the Medi-Cal system."

The increase in Medi-Cal fraud is due largely to insufficient regulation and oversight. Currently, virtually anyone can obtain a Medi-Cal provider number, even those with a history of billing abuse. And, in most cases, there is little consequence for providers when they are caught cheating the system. Many simply disappear with millions of stolen Medi-Cal dollars, only to open another facility in a different location. Exacerbating the situation, organized crime is now heavily involved in Medi-Cal fraud and has become increasingly sophisticated and effective at manipulating existing regulations.

"Every Medi-Cal dollar that is lost to fraud is stolen from Californians in desperate need of health care. With the money we lose each year to fraud, we could provide health care for every uninsured child in the State," said Assemblywoman Romero, author of the bill. "This legislation provides state agencies with the necessary tools to ensure the taxpayers' money is going to those in need, not into the pockets of criminals."

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Over the past three years, the Controller's Office has audited over 200 Medi-Cal providers. Of those audited, approximately 70% were referred to law enforcement agencies for prosecution as more than half of their billings were determined to be illegitimate. Those audits identified more than \$350 million lost to fraud by the state. Recently, the Controller, State Attorney General, FBI and U.S. Attorney General formed a specialized state taskforce to address this issue.

"My office has been in relentless pursuit of providers cheating the Medi-Cal system. By working closely with other state agencies we have been able to file criminal charges against a number of fraudulent operators. But we need tougher enforcement standards to thoroughly impact the system," said Connell.

This year, California will spend an estimated \$18.5 billion on the Medi-Cal program. Services are made available through the Medi-Cal program by a network of more than 40,000 institutional and non-institutional providers that includes physicians, hospitals, medical clinics, nursing homes, pharmacies and durable medical equipment providers.

Romero stated that AB 784 addresses "blatant Medi-Cal fraud by closing specific loopholes in current law" which have been identified by the State Controller, DHS, and the Department of Justice. The legislation is due to be heard in the Assembly Health Committee on April 6. Following are key components of the bill:

- Provides the Department of Health Services (DHS) the authority to deny applications for additional Medi-Cal provider numbers if there is a history of fraudulent billing practices;
- Imposes a \$25,000 bonding requirement on Medi-Cal providers as collateral against overpayments;
- Establishes a DHS oversight function to license and scrutinize activities of "marketers" who receive per-patient or "bounty" referral fees for patients they send to Medi-Cal providers;
- Requires applicants for provider numbers to disclose if they are the actual owner of the facility or if they are "lending" the use of their medical license to another party to obtain a Medi-Cal provider number;
- Provides auditors with greater legal authority to access records deemed necessary to validate payments and mandate specific record-keeping requirements for providers and suppliers.

The announcement was made in front of a closed medical supply company whose owner has family and business ties to two other Medi-Cal providers. All three providers are under investigation for billing Medi-Cal for products they supposedly bought from suppliers that were later determined to be non-existent. The three suppliers ceased operating as soon as the Controller's Office sought clarification for invoices submitted to Medi-Cal. Connell's office is questioning more than \$900,000 in payments and is seeking reimbursement from the providers.